

Press release

Press enquiries:
+41 61 280 8138
press@fsb.org

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FSB consults on guidance on assessing the adequacy of financial resources for CCP resolution

The Financial Stability Board (FSB) today published a public consultation report on [Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution](#). The guidance will assist central counterparty (CCP) resolution authorities.

Central clearing of standardised over-the-counter (OTC) derivatives is a key pillar of the G20 Leaders' commitment to reform OTC derivatives markets in response to the 2008 financial crisis. Increased central clearing has simplified the previously complex and opaque web of derivatives exposures. In addition, more collateral is in place to reduce counterparty credit risks. At the same time, CCPs' criticality to the overall safety and soundness of the financial system means that authorities must take steps to ensure that CCPs do not themselves become a source of systemic risk and that they can be successfully resolved without exposing taxpayers to loss.

The draft guidance is based on the concepts included in a discussion paper the FSB published in 2018. It takes into account the comments received in that earlier public consultation and feedback from the resolution authorities of CCPs.

Part I of the guidance proposes five steps to guide the authorities in assessing the adequacy of a CCP's financial resources and the potential financial stability implications of their use. The authorities should:

- Step 1: identify hypothetical default and non-default loss scenarios (and a combination of them) that may lead to a resolution of a CCP;
- Step 2: conduct a qualitative and quantitative evaluation of existing resources and tools available in the resolution of the CCP;
- Step 3: assess potential resolution costs;
- Step 4: compare existing resources and tools to resolution costs and identify any gaps; and
- Step 5: evaluate the availability, costs and benefits of potential means of addressing any identified gaps.

Part II of the guidance addresses the treatment of CCP equity in resolution. It provides a framework for resolution authorities to evaluate the exposure of CCP equity to losses in recovery, liquidation and resolution and how (where it is possible) the treatment of CCP equity in resolution could be adjusted.

The FSB welcomes responses to the questions set out in the public consultation report by 31 July 2020.

Notes to editors

The FSB, the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have cooperated closely in developing their respective standards and guidance for CCP recovery and resolution, paying particular attention to the interaction between CCP recovery and resolution to ensure consistency between their respective policies. The FSB's [Key Attributes](#) are the umbrella standard for resolution regimes covering financial institutions of all types that could be systemic in failure.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.